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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 20 April 1978

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Thursday, 20 April 1978.

The NID Cable is for the purpose of informing senior US officials.

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CYPRUS: Kyprianou Statement

25X1 [] The Greek Cypriots yesterday rejected the revised Turkish proposals for a Cyprus settlement presented to them by UN Secretary General Waldheim. They left open the possibility of participating in new talks, however, if Waldheim calls for them on his own authority.

25X1 [] After meeting with his council of ministers and the all-party national council, President Kyprianou declared that both bodies had unanimously rejected the latest Turkish proposals.

25X1 [] //Prior to his trip to Cyprus, Waldheim seemed inclined to press the Greek Cypriots to agree to new talks despite his own misgivings about the Turkish proposals. The Greek Cypriots clearly hope that ultimately he will be unwilling to risk his prestige by calling for yet another round of potentially fruitless talks.//

25X1 [] //The Greek Cypriots' equivocal response is designed to avoid being labeled intransigent and to put pressure on the Turks, who want new talks partly to help secure a lifting of the US arms embargo.// []

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25X1 [] //The Turks, meanwhile, announced that 800 more troops would be withdrawn from Cyprus this weekend, allegedly reducing the number of troops on the island by 15,000 since the end of hostilities in 1974. []

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25X1 [] The number of troops on the island has hovered at about 30,000 for some time.// []

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CHAD: Military Situation Report

25X1 [] //A Chadian Government relief force, aided by French advisers, recaptured on Tuesday the town of Salal, which had been taken last weekend by Libyan-backed Muslim rebels. Several French soldiers have been reported killed or wounded during fighting this week--apparently the first French Army casualties in Chad since the insurgents launched their offensive in early February. France's direct, although limited, involvement in the fighting and its willingness to risk battle casualties suggest that President Giscard plans to keep his promise to help defend southern Chad against further rebel attacks.//

25X1 [] Fighting apparently continues in the Salal area and at Araba, where a small government garrison is holding on despite heavy rebel pressure. Another Chadian relief force has been sent to Arada, but there is no information on its current location.

25X1 [] //Two French helicopter crewmen were wounded on Sunday when their aircraft was hit by ground fire, and several other French soldiers were reported killed or wounded during Tuesday's battle to recapture Salal.//

25X1 [] //France appears determined to help Chad defend the southern half of the country, although it undoubtedly hopes it

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can avoid additional involvement in the fighting. France has sent four Jaguar fighter-bombers to Ivory Coast and placed them on standby for possible use in Chad.//

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//Chadian soldiers, without French assistance and with little air support, would have difficulty holding their own against the rebels.//

EGYPT: Haykal Attack on Sadat

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The influential Egyptian journalist Mohammed Haykal, leftist sympathizer and former confidant of Nasir, yesterday delivered another attack on the Sadat government, urging Sadat to acknowledge publicly the failure of his peace initiative. His views are receiving widespread attention and are contributing to a broadening attack on Sadat from political opponents emboldened by the stalemated peace talks and by popular grumbling over the economic situation in Egypt.

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Last week Haykal objected to a "campaign of slander" against Nasir, attacked the Egyptian Government's centrist party for its corruption, and implicitly called on Nasirites and leftists in Egypt to unite--presumably in opposition to Sadat.

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Sadat fired Haykal from his job as editor of the influential Cairo daily *Al Ahram* in 1974. Haykal's comments--his first in an Egyptian paper since 1974--appeared in *Al Ahali* a left-wing paper that began publishing in February.

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Egyptians will watch closely the government's response. If Sadat tries to silence Haykal, the left will label Sadat's political "liberalization" program a sham. If Sadat allows the Haykal challenge to continue, opponents on both the left and right will be encouraged to press their attacks.

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SOMALIA: Siad's China Trip

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Somali President Siad returned to Mogadiscio yesterday following an official five-day visit to Peking. The

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Chinese rolled out the red carpet for Siad and concluded an economic and technical cooperation agreement. The terms of the agreement were not announced, but Chinese Vice Chairman Li Hsien-nien stressed that Peking's aid to Somalia was "modest and within China's capability."

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[] Siad received a high-level welcome from Chinese leaders, including Chairman Hua Kuo-feng, upon his arrival in Peking on 14 April. In the banquet speeches that followed, both Siad and Vice Premier Li predictably castigated Soviet adventurism in the Horn of Africa; Soviet and East European diplomats walked out in protest.

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[] Siad went out of his way to thank the Chinese for the "vital economic assistance" they have provided Somalia over the years. []

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[] Mogadiscio remained generally calm during Siad's absence, although heavily armed security forces continued to man road blocks and conduct house searches throughout the capital in an effort to apprehend dissident elements believed to have been involved in the recent coup attempt. []

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NIGERIA: Constitutional Dispute

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[] *Nigeria's constituent assembly remains beset by a three-week-old dispute between northern and southern members over the assembly's rejection of a northern proposal for a federal Islamic court of appeals. If the assembly cannot soon resolve the dispute, the military government could decide to postpone next year's scheduled return to civilian rule on the*

grounds that this issue demonstrates that Nigeria's competing regional and ethnic groups are not yet mature enough to run the country.

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[] Head of State General Obasanjo convened the assembly two days ago and urged northern members, who walked out three weeks ago in protest, to return for the next regular session next week. He appealed to assemblymen to act as statesmen rather than as politicians. The inspector general of police, a northerner, also met privately with the assemblymen and warned that their actions were threatening "peace and order."

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[] Prior to Obasanjo's speech, northern assemblymen issued a hardline statement demanding that the court issue be reconsidered as a precondition for their return. Their reaction to Obasanjo's speech is unknown. Non-Muslim southerners and minority tribesmen in the north--who oppose an Islamic court as an undue privilege for Muslims--apparently continue to regard the issue as settled. According to some assemblymen, large protest demonstrations in the Muslim north are planned for later this week. Peaceful demonstrations in support of an Islamic court of appeals have already taken place in two northern cities.

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ISRAEL: Moderate Wage Settlement

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[] Israeli Prime Minister Begin's economic reform program has weathered a critical period with the negotiation of comparatively moderate wage guidelines by business and labor leaders. An agreement signed late last month provides for wage increases of 15 to 16 percent and covers most of the private labor force. The Histadrut labor federation and the government also agreed in principle last week to a similar increase for the public sector. Some militant unions, especially in the public sector, probably will continue to push for higher wage settlements.

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[] The negotiated wage increase will become effective in increments; the first is retroactive to last January, the second is effective this month, and the remainder is scheduled for next October. The accord continues the present twice-a-year cost of living adjustment. It also stipulates that wage hikes scheduled for April 1979 will be tied to productivity gains.

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[] The government gave in partially to Histadrut demands for a freeze on commodity prices and on government utility and

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public service charges and for a temporary halt to reductions in government subsidies. Earlier this month, Tel Aviv announced a six-month freeze on prices of subsidized food commodities and public transport.

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[] The price freezes and the 15 to 16 percent wage increases will help slow inflation, which averaged 35 percent last year. The inflationary surge that followed introduction of the Begin economic reform program in October was particularly strong, resulting in one of the steepest declines in real wages in recent Israeli history. The new wage agreement leaves some room for real wage gains during the remainder of this year.

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OPEC: Reaction to Import Surcharge

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[] //Members of the Organization of Petroleum Exporting Countries have not commented directly on suggestions that the US may be considering restrictions on oil imports. The two most influential OPEC members, Saudi Arabia and Iran, would probably respond positively to import surcharges or quotas, but most other members could be expected to decry such a move. It is unlikely that a US surcharge would be a key factor in OPEC pricing decisions.//

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[] //Saudi Arabia and Iran have long advocated consumer-country policies that would lower oil consumption. Saudi leaders have criticized the US for urging OPEC price restraint but failing to enact an energy saving program. The Saudis' position is consistent with their current policy of conserving oil reserves.//

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[] //Most other OPEC members would likely view a US oil import surcharge as an attempt to divert oil revenues from the exporting countries and to increase the US Government's share of the final price of each barrel of oil. In the past, some cartel members have used consuming countries' tariffs and internal taxes on petroleum products as a justification for raising crude oil prices.//

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[] //Among the countries that would react most negatively to an oil import surcharge are those heavily dependent on the US market. Nigeria and Venezuela, which sell about 56 percent and 45 percent respectively of their oil exports to the US, would be particularly worried.//

25X1 [] //Demand for Nigerian and Venezuelan oil has been sluggish since the beginning of the year, and both are expected to run current account deficits this year. The reaction of each would depend, however, on whether a surcharge was to be applied to refined product imports, crude oil, or both. Venezuela exports mainly petroleum products to the US while Nigeria exports crude oil.//

25X1 [] //Algeria and Indonesia also sell almost half their oil to the US. All four states have already indicated they favor an OPEC midyear crude oil price hike and would almost certainly point to a surcharge as an additional reason for increasing prices.//

25X1 [] //A US surcharge, however, probably would not be a determining factor in future OPEC pricing decisions. World-wide inflation, rising prices of imports from major developed countries, and the decline of the dollar will likely remain the strongest arguments for higher oil prices. The Saudis might argue at coming OPEC meetings that by strengthening the dollar a surcharge reduces the need for an immediate price increase.//

25X1 [] //Non-OPEC US oil suppliers such as Canada and Mexico probably would not be troubled by a surcharge. Canada has restricted its crude oil exports to the US since 1974 and will phase them out entirely by the early 1980s. Mexico's fast-growing oil industry has a transportation cost advantage over other exporters to the US, and Mexico's share of the US market is expected to continue to grow.//

25X1 [] //Quotas on US oil imports would generate more fervent OPEC opposition than a surcharge, largely because of their inherently discriminatory aspects and administrative complexity. Country quotas, whether based on historical market shares or any other set of criteria, inevitably would become a troublesome issue in US relations with all oil exporting states. []

UK: Likely Labor By-Election Victory

25X1 [] //Britain's Labor Party is expected to retain its hold on Lambeth Central, a London district with a large immigrant population, in today's parliamentary by-election. Both Labor and the opposition Conservative Party will be looking at the outcome to measure voter reaction to the budget introduced last week and to the Tories' immigration policy revealed earlier this month.//

25X1 [] //The principal issues in the Lambeth Central campaign have been the cost of living and the unemployment rate, which at about 10 percent is significantly higher than in the country as a whole. If the voters in this constituency follow the national pattern, they should support Labor's mildly reflationary economic policy. In a poll taken after the budget was announced last week, 68 percent of the respondents felt that the budget was good for them and 69 percent thought it good for the country--a sharp improvement over the 34 and 48 percent, respectively, recorded on the same questions last year.//

25X1 [] //The Tories, in an effort to find an election issue, have seized upon the highly volatile question of immigration. Earlier this year, Conservative leader Margaret Thatcher warned that the country could be swamped by immigrants and asserted that her party would work to end immigration. A poll taken after her statement gave the Tories an 11-point lead over Labor nationwide. Subsequently, in an effort to defuse the issue, the government set up in the House of Commons a select committee on race relations and immigration.//

25X1 [] //The committee--evenly balanced between Labor and the Tories--last month unanimously recommended the establishment of an overall quota for immigration from the Indian subcontinent and the implementation of several steps to tighten current immigration policies and practices.//

25X1 [] //The recommendations seemed to address some of Thatcher's concerns, but the Tories have refused to drop the issue. Conservative Party deputy leader William Whitelaw earlier this month announced a "tough" new immigration policy to be implemented if the Tories come to power after the next election. His proposals probably would have little effect on the rate of immigration, but many British commentators fear that the party's determination to keep the issue alive will lead to further racial ill-feeling.//

25X1 [] //Not all Tories agree with the party policy. Former party leader Edward Heath, for instance, recently reminded the Tories that they were "dealing not only with statistics but with people." []

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CUBA-USSR: Foreign Minister Visit

25X1 [] Cuban Minister of Foreign Affairs Malmierca arrived in Moscow at Soviet invitation Tuesday on the eve of Secretary Vance's scheduled visit. African issues, particularly the unsteady situations in Eritrea, Rhodesia, and Angola, probably dominated the Soviet-Cuban talks.

25X1 [] The timing of Malmierca's arrival may be connected with current Soviet discussions with Secretary Vance and Guyana's Prime Minister Burnham. The Cubans may want someone in the Soviet Union during Vance's visit in order to learn immediately what is being discussed between the US and USSR. Havana may also have wanted a Cuban voice in any Soviet decisions regarding Guyana.

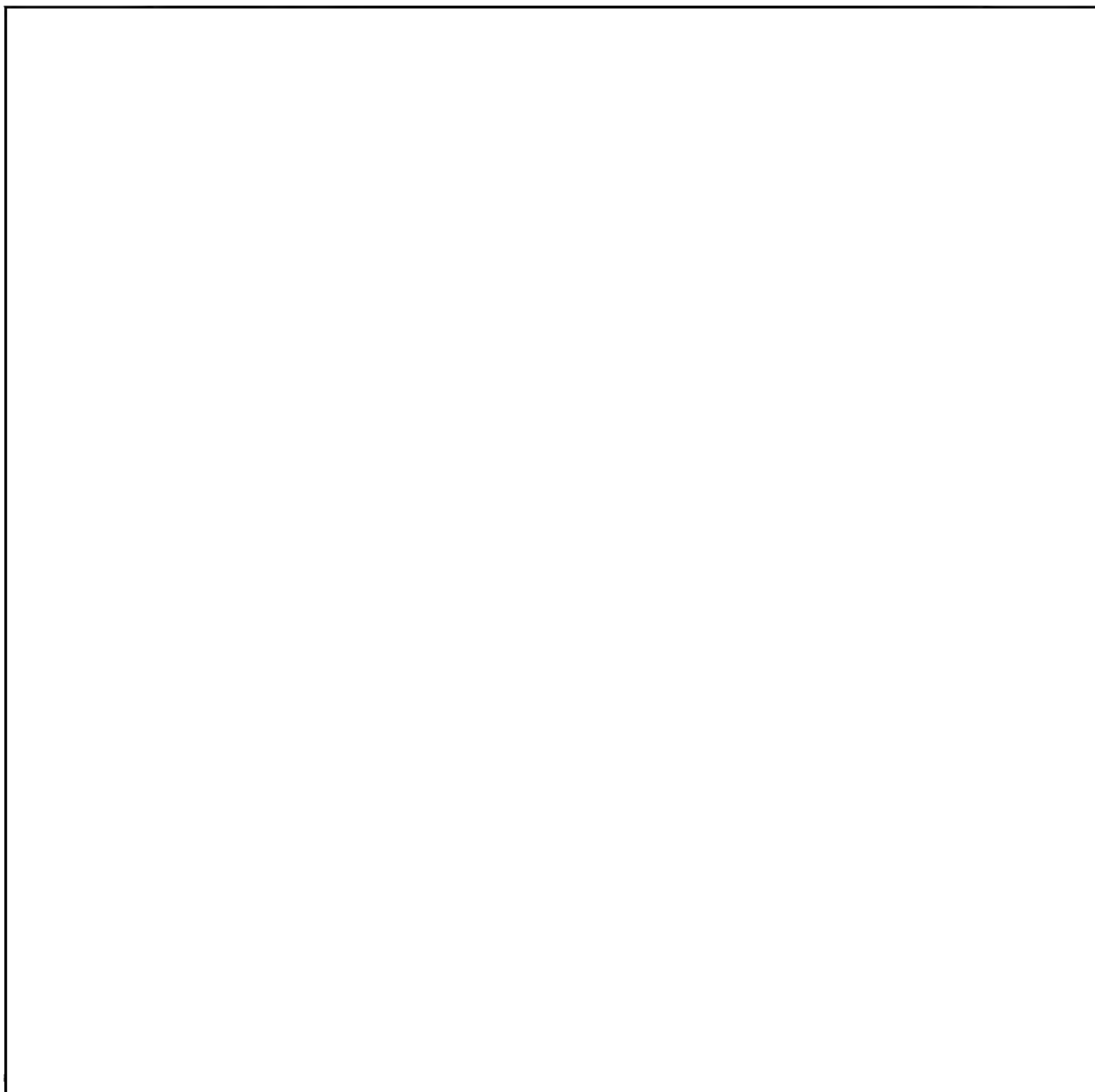
25X1 [] It is unlikely that any major substantive decisions will result from Malmierca's visit. Cuban foreign policy is decided not by the Foreign Ministry but by a small elite group led by Fidel Castro. Malmierca could be simply carrying a message from the Cuban leadership to Moscow.

25X1 [] His trip does offer still another opportunity to reaffirm Cuban-Soviet relations. The two sides have used their intervention in Angola and Ethiopia to consolidate their ties, and both Gromyko and Malmierca spoke of Soviet-Cuban cooperation becoming "ever deeper and more fruitful." Later, General Secretary Brezhnev praised the vigorous foreign policy of Cuba. According to TASS "there was a full coincidence of views on all questions under discussion." []

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BRIEFS

Vietnam-China

Senior Vietnamese officials have denied a Swedish correspondent's claim that serious clashes have taken place along the Sino-Vietnamese border, although they acknowledge

that there are conflicting territorial claims. The correspondent cited "trustworthy" sources in Hanoi who are "not Western diplomats" as the basis of his report. It is possible that they were Soviet or East European diplomats exaggerating the tensions that have existed along the border for some time.

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[] Reports of confrontations along the poorly demarcated frontier date back to 1975. Such incidents, however, apparently have not involved shooting. Last fall, both sides agreed to talks on both the land border and the disputed islands in the South China Sea. []

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Afghanistan

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[] Pro-Moscow Afghan Communists showed considerably more strength yesterday than it had been generally assumed they had in staging a major demonstration in Kabul. The party organized a well disciplined procession with about 15,000 participants for the funeral of a party leader murdered on Monday. The killing appears to have been the work of rightwing Islamic extremists, although the Communists are trying to blame the CIA.

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[] The government may have permitted the march and the radio broadcast of a eulogy for the "martyr" to defuse tensions and to avoid offense in Moscow. The larger than expected Communist strength does not threaten President Daoud, but suggests that the Communists may be more important than had previously been expected in determining who eventually succeeds the 69-year-old President. []

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Bangladesh

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[] Bangladesh's self-appointed President and Chief Martial Law Administrator, Major General Ziaur Rahman, has announced that a presidential election will be held by 15 June. A parliamentary election is scheduled for November. Zia probably feels that his position has been bolstered by the recent support his national political front has received from most of the country's political parties. He may now believe that none of the remaining parties--including the country's largest, the Awami League, which is split by factional disputes--can field a candidate strong enough to challenge him. []

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